

Before the State of South Carolina
Department of Insurance

In the Matter of:)	
)	Consent Order Imposing Administrative Fine
)	
Voyager Property and Casualty)	Investigation File Number:
Insurance Company,)	1997342-078-002-4
)	
Post Office Box 901405)	
Fort Worth, Texas 76102-7032.)	
_____)	

During 1997, the South Carolina Department of Insurance (Department) conducted an examination of Voyager Property and Casualty Insurance Company (Voyager), an insurer licensed to transact business within the State of South Carolina. The examination covered the period from December 31, 1994 through December 31, 1996. This matter has been presented to me as a result of certain issues identified during the course of the examination which concluded on September 12, 1997. The examination determined that Voyager placed business through a number of Agents that were not properly appointed in accordance with the requirements of S. C. Code Ann. § 38-43-20 (1976, as amended), and Consumer Insurance Associates acted as a managing general agent for Voyager but was not properly licensed in accordance with S. C. Code Ann. § 38-44-30 (Supp. 1997). In addition, Voyager failed to comply with the requirements of S.C. Code Ann. § 38-43-50 (1976, as amended) when it did not notify the Department of reasons for cancellation of licenses of the agents identified during the examination. After reviewing this matter with its staff, Voyager has concluded that its activities with regard to the Agents in question did not fully comply with the above noted South Carolina Code of Law sections. Voyager, while agreeing that certain violations have occurred with appointing certain Agents with the Department, provided background information regarding the logistical problems that were encountered due to a 1994 conversion from Voyager to

American Bankers Insurance Company (American Bankers). Voyager asserts that Voyager and the Department agreed that Voyager would file for Agents license renewal in September of 1994 and would then request that Agents renewed with Voyager be transferred to American Bankers with an effective date of September 1994. Unfortunately, according to Voyager, this process resulted in the cancellation of agent appointments with Voyager with a single consumer finance account which wanted to continue to write the existing Voyager auto program and also write the credit property program written by American Bankers. As a result, according to information provided by Voyager, 84 Agents out of a group of 2,358 Agents (3.5%) were not properly appointed with Voyager, although they were licensed and on the records of the Department as Agents for American Bankers.

Voyager contends the problems associated with the 1994 conversion also impacted on the statutory requirement to provide the Department with notice of a cancellation within ten (10) days stating the cause of the termination. S.C. Code Ann. § 38-43-50 (1976). Voyager provided information during the examination that 29 of the 84 Agents had not been non-renewed but had been miscoded in the Voyager computer system. In addition, Voyager provided information showing that 29 agents had been "lined out" on the renewal lists filed with the Department as provided in the Department's renewal instructions. Voyager admits that it mistakenly renewed at least 55 agents. The record reflects that Voyager cooperated with the Department during the course of the examination, and Voyager represents that it has taken steps to immediately correct the problems.

S.C. Code Ann. § 38-43-20 (Supp. 1997) provides that "no person may act as an agent for an insurer or for a fraternal benefit association unless an agent's license has been issued to him by the director or his designees." The agents that were transacting insurance business for Voyager Property and Casualty Insurance Company without having been properly appointed by that insurer include, but may not be limited, to: Lisa L. Cheves, Donald C. Cox, Dewey L. Farmer, Teresa H.

Young, and Carole Bolton. Although these agents were appointed with other companies within the American Bankers Insurance Group, they were not properly appointed and licensed by me to transact business for Voyager Property and Casualty Insurance Company. Moreover, S.C. Code Ann. § 38-43-40 provides that the Department must be notified of the appointment before the agent takes any risks or transacts any business.

Additionally, S.C. Code Ann. § 38-43-50 (1976) provides that "when a contract of an agent is canceled by the insurer represented, that insurer shall notify the Department of the cancellation within ten days stating the cause of the termination." The agent contracts for Gary M. Aley, Patsey H. Allen, Natasha L. Baker, Mary M. Coral, Alice N. Hilbert, Rolanda M. Long, Melanie B. McClure, Cathy E. Rowland, Machell M. Shear, Sharon L. Vensko and Eunice M. Warnick were among the agents terminated by this insurer, but no cancellation notification was provided to the Department as required by this provision.

The examination of Voyager also determined that Consumer Insurance Associates (CIA) was soliciting business for Voyager without being properly licensed and was not licensed as an MGA even though it was writing more than 5 percent of Voyager's direct written business and adjusting claims greater than Five Thousand Dollars (\$5000.00). The Department's files on this issue reflect that CIA made inquiries on this issue in 1993 and was advised that it would not be considered to be MGA if it did not adjust or pay claims in excess of Five Thousand Dollars (\$5000.00) or negotiate coding reinsurance contracts on behalf of Voyager. CIA believed it could adjust claims in excess of Five Thousand Dollars (\$5000.00) since an employee was licensed and authorized to adjust losses for any insurance company licensed to transact business in the State of South Carolina under a license issued on August 10, 1990. Voyager represents that it has already taken action to correct this problem.

Section 38-44-30 provides that no person may act as a managing general agent with respect to risks located in this State for an insurer licensed in South Carolina unless the person is licensed as an agent for that insurer in this State. CIA functioned as a managing general agent for Voyager without being properly licensed as a managing general agent and without being properly appointed by that insurer.

After a thorough review of this matter, including information provided by Voyager in response to the Report on Examination, I am prepared to accept the recommendations of the parties to this matter. While the evidence in this matter could justify a revocation of Voyager's Certificate of Authority, I have concluded that a substantial administrative fine is appropriate to signal the Department's concern about the matters noted in this Order. I hereby impose an administrative fine in the total amount of Forty Thousand Dollars (\$40,000.00) against Voyager for the violations detected during the market conduct examination.

I am imposing a Fifteen Thousand Dollars (\$15,000.00) administrative fine for placing business through Agents not properly licensed by this Department with Voyager. This level of fine is imposed in light of the fact that this is not the first time that the Department has encountered Voyager placing business through Agents not properly licensed. *See* Investigation File No: 1993173-054-002-4-0. In addition, I am imposing a fine of Twelve Thousand Five Hundred Dollars (\$12,500.00) against Voyager for failing to properly report termination of Agents in accordance with S.C. Code Ann. § 38-43-50. I am imposing an administrative fine in the amount of Twelve Thousand Five Hundred Dollars (\$12,500.00) for conducting the business of insurance through an unlicensed managing general agent.

This administrative fine must be submitted with the Consent Order executed by an authorized representative of Voyager Property and Casualty Insurance Company by the established deadline.

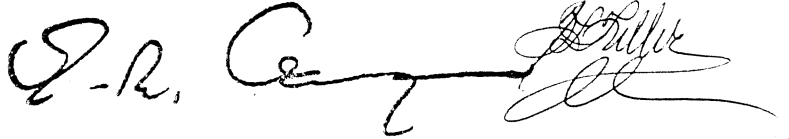
If that total amount is not paid, on, or before the deadline, its certificate of authority as an insurer within the State of South Carolina will be summarily revoked without any further administrative disciplinary proceedings. This fine has been reached by the parties as result of negotiation and compromise with Department staff and in consideration of Voyager's assurance, by its officer's or authorized representative's signature upon this Consent order, that all agents through which insurance business is placed in South Carolina will be appointed and licensed with Voyager and that the Department will be notified within 10 days of the termination of agents whose contracts are canceled with Voyager.

By the signature of its officer or authorized representative upon this Consent Order Imposing Administrative Fine, Voyager acknowledges that it understands that this administrative disciplinary order is a public record subject to the disclosure requirements of the State of South Carolina's Freedom of Information Act, S.C. Code Ann. § 30-4-10, et seq. (1976, as amended, and Supp. 1997).

Nothing contained within this administrative disciplinary order should be construed to limit, or to deprive any person of, any private right of action under the law. Nothing contained within this administrative disciplinary order should be construed to limit, in any manner, the jurisdiction of any law enforcement or judicial officer. Nothing contained within this administrative disciplinary order would be construed to limit the statutory duty, pursuant to S.C. Code Ann. § 38-3-110 (Supp. 1997), of the Director of Insurance exercised either directly or through the Department of Insurance, to "report to the Attorney General or other appropriate law enforcement officials criminal violations of the laws relative to the business of insurance or the provisions of this title which he considered necessary to report."

It is, therefore, ordered that Voyager shall, submit its check in the amount of Forty Thousand Dollars (\$40,000) made payable to the South Carolina Department of Insurance with the executed

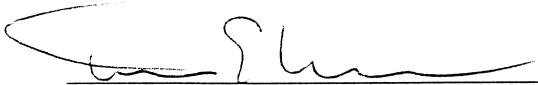
Consent Order Imposing Administrative Fine. A copy of this Consent Order Imposing Administrative Fine must be transmitted immediately to the National Association of Insurance Commissioners for its distribution to its member states. This Consent Order becomes effective upon the date of my signature below.



Lee P. Jedziniak Ernst N. Csiszar
Director

June 5, 1998, at
Columbia, South Carolina.

I CONSENT:



AUTHORIZED REPRESENTATIVE
Voyager Property and Casualty
Insurance Company
Post Office Box 901405
Fort Worth, Texas 76102-7032.

Dated this 5th day of June, 1998.